



Rea & associates *a brighter way*

**EAST HOLMES LOCAL SCHOOL
DISTRICT
HOLMES COUNTY, OHIO**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Education
East Holmes Local School District
6108 CR 77
Millersburg, Ohio 44654

We have reviewed the *Independent Auditor's Report* of the East Holmes Local School District, Holmes County, prepared by Rea & Associates, Inc., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The East Holmes Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

[December 8, 2020

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Holmes County, Ohio
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November 10, 2020

To the Board of Education
East Holmes Local School District
Holmes County, Ohio
6108 CR 77
Millersburg, OH 44654

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Holmes Local School District, Holmes County, Ohio, (the "School District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Holmes Local School District, Holmes County, Ohio, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 18, the financial impact of COVID-19 and the ensuring emergency measures will continue to impact subsequent periods of the School District. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the School District's Proportionate Share of the Net Pension Liability, Schedule of School District's Contributions - Pension, Schedule of the School District's Proportionate Share of the Net OPEB Asset/Liability and Schedule of School District's Contributions - OPEB* as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Kea & Associates, Inc.

Millersburg, Ohio

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East Holmes Local School District
Holmes County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

The discussion and analysis of the East Holmes Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- Net position increased \$2,346,655 from 2019.
- Capital assets decreased \$289,614 during fiscal year 2020.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the East Holmes Local School District, the general fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2020?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

East Holmes Local School District
Holmes County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

In the *Statement of Net Position* and the *Statement of Activities*, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

Proprietary Fund The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements.

Reporting the School District's Fiduciary Responsibilities

The School District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The School District's fiduciary activities are reported in a separate *Statement of Fiduciary Assets and Liabilities*. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

East Holmes Local School District
Holmes County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2020 compared to 2019:

Table 1
Net Position

	Governmental Activities		
	2020	2019	Change
Assets			
Current and Other Assets	\$ 29,949,703	\$ 26,453,327	3,496,376
Net OPEB Asset	1,195,640	1,210,223	(14,583)
Capital Assets	7,869,654	8,159,268	(289,614)
<i>Total Assets</i>	<u>39,014,997</u>	<u>35,822,818</u>	<u>3,192,179</u>
Deferred Outflows of Resources			
Deferred Charges on Refunding	0	13,863	(13,863)
Pension & OPEB	4,128,261	5,637,689	(1,509,428)
<i>Total Deferred Outflows of Resources</i>	<u>4,128,261</u>	<u>5,651,552</u>	<u>(1,523,291)</u>
Liabilities			
Current and Other Liabilities	2,348,450	2,201,559	146,891
Long-Term Liabilities:			
Due Within One Year	309,276	345,188	(35,912)
Due in More Than One Year			
Pension & OPEB	22,132,163	22,980,550	(848,387)
Other Amounts	1,334,692	1,562,962	(228,270)
<i>Total Liabilities</i>	<u>26,124,581</u>	<u>27,090,259</u>	<u>(965,678)</u>
Deferred Inflows of Resources			
Property Taxes and Other	10,877,756	10,491,313	386,443
Pension & OPEB	4,598,760	4,697,292	(98,532)
<i>Total Deferred Inflows of Resources</i>	<u>15,476,516</u>	<u>15,188,605</u>	<u>287,911</u>
Net Position			
Net Investment in Capital Assets	7,624,654	7,679,349	(54,695)
Restricted	1,836,114	1,687,779	148,335
Unrestricted	(7,918,607)	(10,171,622)	2,253,015
<i>Total Net Position</i>	<u>\$ 1,542,161</u>	<u>\$ (804,494)</u>	<u>\$ 2,346,655</u>

East Holmes Local School District
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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

Collectively, the net pension liability (NPL), reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and the net OPEB liability, pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, are the largest liabilities reported by the School District at June 30, 2020. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB asset/liability (NOA/NOL) to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these assets/liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. For STRS, the plan's fiduciary net OPEB position was sufficient to cover the plan's total OPEB liability resulting in a net OPEB asset for fiscal year 2020 that is allocated to each school based on its proportionate share. The retirement system is responsible for the administration of the pension and OPEB plans.

East Holmes Local School District
Holmes County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability reported by the retirement boards. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB asset/liability, respectively, not accounted for as deferred inflows/outflows.

At fiscal year-end, capital assets represented 20 percent of total assets. Capital assets include land, land improvements, buildings and building improvements, furniture, fixtures and equipment, and vehicles. Net investment in capital assets was \$7,624,654 at June 30, 2020. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$1,836,114, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit balance of \$7,918,607, which is primarily caused by the accounting treatment related to GASB 68 and GASB 75.

Current and other assets increased \$3,496,376, with the most significant increase being pooled cash and investments as a result of revenues continuing to outpace expenditures.

Annually there are changes in net pension/OPEB asset/liability for the School District. These fluctuations are due to changes in the retirement systems unfunded liabilities/assets that are passed through to the School District's financial statements. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL/NOA and are described in more detail in their respective notes.

East Holmes Local School District
Holmes County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2020 and 2019.

Table 2
Changes in Net Position

	Governmental Activities		
	2020	2019	Change
Revenues			
<i>Program Revenues:</i>			
Charges for Services and Sales	\$ 2,217,234	\$ 2,182,198	\$ 35,036
Operating Grants and Contributions	2,226,012	1,959,095	266,917
<i>Total Program Revenues</i>	<u>4,443,246</u>	<u>4,141,293</u>	<u>301,953</u>
<i>General Revenues:</i>			
Property Taxes	12,440,999	10,926,950	1,514,049
Grants and Entitlements Not Restricted	5,130,052	5,521,949	(391,897)
Gain on Sale of Capital Assets	0	314,040	(314,040)
Other	791,611	457,367	334,244
<i>Total General Revenues</i>	<u>18,362,662</u>	<u>17,220,306</u>	<u>1,142,356</u>
<i>Total Revenues</i>	<u>22,805,908</u>	<u>21,361,599</u>	<u>1,444,309</u>
Program Expenses			
<i>Instruction:</i>			
Regular	8,090,277	2,597,816	5,492,461
Special	3,018,933	3,790,973	(772,040)
Vocational	150,176	370,392	(220,216)
Student Intervention Services	13,521	224,399	(210,878)
Other	259,581	126,205	133,376
<i>Support Services:</i>			
Pupils	1,057,150	1,059,467	(2,317)
Instructional Staff	863,025	965,980	(102,955)
Board of Education	40,029	38,304	1,725
Administration	1,725,337	2,480,671	(755,334)
Fiscal	643,302	542,671	100,631
Business	64,797	58,056	6,741
Operation and Maintenance of Plant	2,017,356	2,046,731	(29,375)
Pupil Transportation	1,194,365	1,351,641	(157,276)
Central	81,577	56,243	25,334
<i>Operation of Non-Instructional Services:</i>			
Food Service Operations	625,831	691,545	(65,714)
Extracurricular Activities	604,515	537,370	67,145
<i>Debt Service:</i>			
Interest and Fiscal Charges	9,481	18,585	(9,104)
<i>Total Expenses</i>	<u>20,459,253</u>	<u>16,957,049</u>	<u>3,502,204</u>
<i>Increase (Decrease) in Net Position</i>	2,346,655	4,404,550	(2,057,895)
<i>Net Position at Beginning of Year</i>	<u>(804,494)</u>	<u>(5,209,044)</u>	<u>4,404,550</u>
<i>Net Position at End of Year</i>	<u>\$ 1,542,161</u>	<u>\$ (804,494)</u>	<u>\$ 2,346,655</u>

East Holmes Local School District
Holmes County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

The decrease in grants and entitlements was primarily caused by state budget cuts due to the COVID-19 pandemic. There was an increase in other revenue during 2020 which was primarily caused by an increase in the interest received on the School District's investments. Property taxes increased primarily due increased property values as a result of the tri-annual valuation and collections on the substitute levy. The decrease in gain on sale of capital asset due to the sale of Charm Elementary during 2019. Fluctuations in instructional and support services expenses were caused by changes in the School District's pension and OPEB accruals as previously discussed.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2020	2019	2020	2019
Instruction:				
Regular	\$ 8,090,277	\$ 2,597,816	\$ 6,345,727	\$ 1,228,332
Special	3,018,933	3,790,973	1,798,230	2,552,394
Vocational	150,176	370,392	134,306	353,022
Student Intervention Services	13,521	224,399	13,521	215,560
Other	259,581	126,205	259,581	126,205
Support Services:				
Pupils	1,057,150	1,059,467	633,660	655,767
Instructional Staff	863,025	965,980	636,120	737,804
Board of Education	40,029	38,304	40,029	38,304
Administration	1,725,337	2,480,671	1,694,091	2,418,299
Fiscal	643,302	542,671	643,302	542,671
Business	64,797	58,056	64,797	58,056
Operation and Maintenance of Plant	2,017,356	2,046,731	1,977,679	2,037,753
Pupil Transportation	1,194,365	1,351,641	1,194,365	1,351,641
Central	81,577	56,243	78,418	52,168
Operation of Non-Instructional Services:				
Food Service Operations	625,831	691,545	25,617	21,782
Extracurricular Activities	604,515	537,370	467,083	407,413
Debt Service:				
Interest and Fiscal Charges	9,481	18,585	9,481	18,585
<i>Total Expenses</i>	\$ 20,459,253	\$ 16,957,049	\$ 16,016,007	\$ 12,815,756

The total and net cost of services changes were primarily caused by the changes related to NPL/NOA/NOL, as previously discussed.

The dependence upon general revenues for governmental activities is apparent. Nearly 78 percent of governmental activities are supported through taxes and other general revenues: such revenues are 81 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

East Holmes Local School District
Holmes County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

Governmental Funds

The School District's major funds are accounted for using the modified accrual basis of accounting.

The general fund's net change in fund balance for fiscal year 2020 was an increase of \$2,220,226, primarily due to the increase in investment earnings due to market fluctuations, the increase in property tax revenues, and revenues outpacing expenditures.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

Original Budget Compared to Final Budget During the course of the fiscal year, the School District amended its general fund budget for estimated receipts and other financing sources due to increased estimated property taxes and earned interest on the School District's investments. There were no significant variances for expenditures and other financing uses from original to final budget.

Final Budget Compared to Actual Results As a result of the COVID-19 pandemic, the School District saw a significant variance in receipts and other financing sources primarily due to state budget cuts in grants and entitlements. Due to conservative spending in addition to the reduction of budgeted expenditures discussed above, the School District also saw a significant variance in expenditures and other financing uses.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2020 balances compared with 2019.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2020	2019
Land	\$ 1,067,816	\$ 1,067,816
Land Improvements	540,472	615,883
Buildings and Building Improvements	5,416,985	5,804,039
Furniture, Fixtures and Equipment	437,230	330,806
Vehicles	407,151	340,724
<i>Totals</i>	\$ 7,869,654	\$ 8,159,268

East Holmes Local School District
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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

The \$289,614 decrease in capital assets was attributable to current year depreciation and disposals exceeding additional purchases. See Note 5 for more information about the capital assets of the School District.

Debt

Table 5 summarizes bonds outstanding. See Note 7 for additional details.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2020	2019
<u>General Obligation Bonds</u>		
2007 Refunding Bonds	\$ 245,000	\$ 475,000

School District Outlook

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast and the School District Continuous Improvement Plan.

The challenges faced by the School District are both internal and external in nature. The internal challenges will continue to exist as the School District relies heavily on local real property taxes to fund its operations. External challenges continue as Ohio struggles to find a funding system that is fair and equitable to all school districts. The implications of the Coronavirus pandemic are still playing out. The School District saw a reduction in state funding of around 10 percent in the final two months of fiscal year 2020 and will see that same reduction for all of fiscal year 2021. The ever-changing environment makes it difficult to project the final implications that COVID-19 will have on the School District's finances, however, the situation will continue to be closely monitored. The School District is working diligently to make use of all of the Coronavirus relief funds provided by the state and federal governments.

The community support for the schools has been quite strong. The East Holmes voters renewed a Permanent Improvement levy in November 2016, and in November 2018 the School District exchanged an existing emergency levy (expiring December 31, 2018) with a substitute levy (starting tax year 2019 with collections starting in 2020). The substitute levy still collects \$550,000 annually for all property currently taxed in the School District. It also allows for growth by applying the millage rate to new construction after the substitute levy was approved. These levies will help fund operations of the School District through the first half of fiscal year 2021.

The School District has communicated to the community that they rely upon their continued support for the majority of its operations, and will continue to work diligently to plan expenses, staying carefully within the School District's financial five-year plan. With 59 percent of general fund revenue for the School District coming from property taxes, it is imperative that there be continued strong support from the community in order to continue providing excellent educational services. The School District's management is constantly looking for alternate sources of income, as well as searching for ways to provide a more efficient means of doing business in order to maximize revenues before needing to go back on the ballot.

East Holmes Local School District
Holmes County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

As a result of the challenges mentioned above, the School District's management will continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Amanda Humphrey, Treasurer of East Holmes School District, 6108 CR 77, Millersburg OH 44654, or email at amanda.humphrey@eastholmes.org.

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East Holmes Local School District
Holmes County, Ohio
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 17,327,099
Receivables:	
Accounts	21,813
Intergovernmental	255,930
Property Taxes	12,329,124
Prepaid Items	15,737
Net OPEB Asset	1,195,640
Nondepreciable Capital Assets	1,067,816
Depreciable Capital Assets (Net)	6,801,838
<i>Total Assets</i>	39,014,997
Deferred Outflows of Resources	
Pension	3,778,597
OPEB	349,664
<i>Total Deferred Outflows of Resources</i>	4,128,261
Liabilities	
Accounts Payable	15,188
Accrued Wages and Benefits	1,854,848
Intergovernmental Payable	312,262
Accrued Vacation Leave Payable	30,325
Matured Compensated Absences Payable	28,867
Claims Payable	106,960
Long Term Liabilities:	
Due Within One Year	309,276
Due In More Than One Year:	
Net Pension Liability	20,279,726
Net OPEB Liability	1,852,437
Other Amounts Due in More Than One Year	1,334,692
<i>Total Liabilities</i>	26,124,581
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	10,877,756
Pension	2,245,794
OPEB	2,352,966
<i>Total Deferred Inflows of Resources</i>	15,476,516
Net Position	
Net Investment in Capital Assets	7,624,654
Restricted For:	
Capital Outlay	1,024,540
Debt Service	251,312
Other Purposes	560,262
Unrestricted	(7,918,607)
<i>Total Net Position</i>	\$ 1,542,161

See accompanying notes to the basic financial statements.

East Holmes Local School District
Holmes County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 8,090,277	\$ 1,308,250	\$ 436,300	\$ (6,345,727)
Special	3,018,933	182,681	1,038,022	(1,798,230)
Vocational	150,176	0	15,870	(134,306)
Student Intervention Services	13,521	0	0	(13,521)
Other	259,581	0	0	(259,581)
Support Services:				
Pupils	1,057,150	265,078	158,412	(633,660)
Instructional Staff	863,025	151	226,754	(636,120)
Board of Education	40,029	0	0	(40,029)
Administration	1,725,337	0	31,246	(1,694,091)
Fiscal	643,302	0	0	(643,302)
Business	64,797	0	0	(64,797)
Operation and Maintenance of Plant	2,017,356	0	39,677	(1,977,679)
Pupil Transportation	1,194,365	0	0	(1,194,365)
Central	81,577	3,159	0	(78,418)
Operation of Non-Instructional Services:				
Food Service Operations	625,831	320,483	279,731	(25,617)
Extracurricular Activities	604,515	137,432	0	(467,083)
Debt Service:				
Interest and Fiscal Charges	9,481	0	0	(9,481)
Total	\$ 20,459,253	\$ 2,217,234	\$ 2,226,012	(16,016,007)

General Revenues

Property Taxes Levied for:

General Purposes	11,928,701
Debt Service	81,532
Capital Outlay	430,766
Grants and Entitlements Not Restricted to Specific Programs	5,130,052
Investment Earnings	499,690
Miscellaneous	291,921

Total General Revenues 18,362,662

Change in Net Position 2,346,655

Net Position Beginning of Year (804,494)

Net Position End of Year \$ 1,542,161

See accompanying notes to the basic financial statements.

East Holmes Local School District
Holmes County, Ohio
Balance Sheet
Governmental Funds
June 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Investments	\$ 13,402,004	\$ 1,803,959	\$ 15,205,963
Receivables:			
Accounts	15,663	6,150	21,813
Interfund	21,918	0	21,918
Intergovernmental	5,647	250,283	255,930
Property Taxes	11,911,367	417,757	12,329,124
Prepaid Items	15,393	344	15,737
<i>Total Assets</i>	<u>\$ 25,371,992</u>	<u>\$ 2,478,493</u>	<u>\$ 27,850,485</u>
Liabilities			
Accounts Payable	\$ 12,292	\$ 2,896	\$ 15,188
Accrued Wages and Benefits	1,592,785	262,063	1,854,848
Intergovernmental Payable	262,974	49,288	312,262
Matured Compensated Absences Payable	28,867	0	28,867
Interfund Payable	0	21,918	21,918
<i>Total Liabilities</i>	<u>1,896,918</u>	<u>336,165</u>	<u>2,233,083</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	10,509,341	368,415	10,877,756
Unavailable Revenue	200,596	49,712	250,308
<i>Total Deferred Inflows of Resources</i>	<u>10,709,937</u>	<u>418,127</u>	<u>11,128,064</u>
Fund Balances			
Nonspendable	15,393	0	15,393
Restricted	0	1,792,008	1,792,008
Assigned	280,207	0	280,207
Unassigned	12,469,537	(67,807)	12,401,730
<i>Total Fund Balances</i>	<u>12,765,137</u>	<u>1,724,201</u>	<u>14,489,338</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 25,371,992</u>	<u>\$ 2,478,493</u>	<u>\$ 27,850,485</u>

See accompanying notes to the basic financial statements.

East Holmes Local School District
Holmes County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2020

Total Governmental Fund Balances		\$ 14,489,338
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,869,654
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 41,769	
Property Taxes	<u>208,539</u>	250,308
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		2,014,176
The net pension liability and OPEB asset/liability are not due and payable in the current period; therefore, the asset/liability and related deferred inflows/outflows are not reported in governmental funds:		
Net OPEB Asset	1,195,640	
Deferred Outflows - Pension	3,778,597	
Deferred Outflows - OPEB	349,664	
Deferred Inflows - Pension	(2,245,794)	
Deferred Inflows - OPEB	(2,352,966)	
Net Pension Liability	(20,279,726)	
Net OPEB Liability	<u>(1,852,437)</u>	(21,407,022)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(245,000)	
Vacations Payable	(30,325)	
Compensated Absences	<u>(1,398,968)</u>	<u>(1,674,293)</u>
 <i>Net Position of Governmental Activities</i>		 <u><u>\$ 1,542,161</u></u>

See accompanying notes to the basic financial statements.

East Holmes Local School District
Holmes County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$ 11,921,885	\$ 516,340	\$ 12,438,225
Intergovernmental	5,161,300	2,152,636	7,313,936
Investment Income	499,690	0	499,690
Tuition and Fees	1,474,199	0	1,474,199
Extracurricular Activities	283,608	135,067	418,675
Rentals	3,877	0	3,877
Charges for Services	0	320,483	320,483
Contributions and Donations	6,573	4,967	11,540
Miscellaneous	276,174	14,863	291,037
<i>Total Revenues</i>	<u>19,627,306</u>	<u>3,144,356</u>	<u>22,771,662</u>
Expenditures			
Current:			
Instruction:			
Regular	7,634,553	126,640	7,761,193
Special	2,053,533	962,478	3,016,011
Vocational	149,965	0	149,965
Student Intervention Services	13,521	0	13,521
Other	261,479	0	261,479
Support Services:			
Pupils	918,986	149,094	1,068,080
Instructional Staff	677,945	273,908	951,853
Board of Education	40,029	0	40,029
Administration	1,752,414	30,906	1,783,320
Fiscal	635,052	12,018	647,070
Business	64,797	0	64,797
Operation and Maintenance of Plant	1,638,839	140,614	1,779,453
Pupil Transportation	1,160,255	81,966	1,242,221
Central	81,577	0	81,577
Extracurricular Activities	279,980	167,273	447,253
Operation of Non-Instructional Services:			
Food Service Operations	0	657,555	657,555
Capital Outlay	18,039	210,661	228,700
Debt Service:			
Principal Retirement	0	230,000	230,000
Interest and Fiscal Charges	0	14,400	14,400
<i>Total Expenditures</i>	<u>17,380,964</u>	<u>3,057,513</u>	<u>20,438,477</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,246,342</u>	<u>86,843</u>	<u>2,333,185</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	884	0	884
Transfers In	0	27,000	27,000
Transfers Out	(27,000)	0	(27,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(26,116)</u>	<u>27,000</u>	<u>884</u>
<i>Net Change in Fund Balance</i>	2,220,226	113,843	2,334,069
<i>Fund Balances Beginning of Year</i>	<u>10,544,911</u>	<u>1,610,358</u>	<u>12,155,269</u>
<i>Fund Balances End of Year</i>	<u>\$ 12,765,137</u>	<u>\$ 1,724,201</u>	<u>\$ 14,489,338</u>

See accompanying notes to the basic financial statements.

**East Holmes Local School District
Holmes County, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2020*

Net Change in Fund Balances - Total Governmental Funds	\$	2,334,069
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 321,754	
Current Year Depreciation	(597,030)	(275,276)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(14,338)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	30,588	
Intergovernmental	2,774	33,362
Repayment of outstanding bonds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		230,000
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Amortization of Premium on Bonds	18,781	
Amortization of Refunding Loss	(13,863)	4,918
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,612,739	
OPEB	49,197	1,661,936
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB asset/liability are reported as pension/OPEB expense in the statement of activities		
Pension	(2,559,703)	
OPEB	320,675	(2,239,028)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		550,710
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	15,401	
Vacations Payable	44,901	60,302
<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>2,346,655</u>

See accompanying notes to the basic financial statements.

East Holmes Local School District
Holmes County, Ohio

*Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Bases) and Actual
General Fund
For the Fiscal Year Ended June 30, 2020*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues and Other Financing Sources	\$ 18,215,250	\$ 19,542,550	\$ 18,818,222	\$ (724,328)
Expenditures and Other Financing Uses	17,750,706	18,176,076	17,229,645	946,431
<i>Net Change in Fund Balance</i>	464,544	1,366,474	1,588,577	222,103
<i>Fund Balance Beginning of Year</i>	10,858,447	10,858,447	10,858,447	0
Prior Year Encumbrances Appropriated	183,365	183,365	183,365	0
<i>Fund Balance End of Year</i>	<u>\$ 11,506,356</u>	<u>\$ 12,408,286</u>	<u>\$ 12,630,389</u>	<u>\$ 222,103</u>

See accompanying notes to the basic financial statements.

East Holmes Local School District
Holmes County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2020

	Governmental Activities - Internal Service Fund
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Investments	<u>\$ 2,121,136</u>
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	<u>106,960</u>
Net Position	
Unrestricted	<u>\$ 2,014,176</u>

See accompanying notes to the basic financial statements.

East Holmes Local School District
Holmes County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2020

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	\$ 2,188,052
Other	10,256
<i>Total Operating Revenues</i>	2,198,308
Operating Expenses	
Purchased Services	303,582
Claims	1,342,876
Other	1,140
<i>Total Operating Expenses</i>	1,647,598
<i>Operating Income (Loss)</i>	550,710
<i>Net Position Beginning of Year</i>	1,463,466
<i>Net Position End of Year</i>	\$ 2,014,176

See accompanying notes to the basic financial statements.

East Holmes Local School District
Holmes County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2020

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 2,188,052
Cash Received from Other	10,256
Cash Paid for Goods and Services	(303,582)
Cash Paid for Claims	(1,316,586)
Other Cash Payments	<u>(1,140)</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>577,000</u>
<i>Cash and Investments, Beginning of Year</i>	<u>1,544,136</u>
<i>Cash and Investments, End of Year</i>	<u><u>\$ 2,121,136</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ 550,710
Adjustments:	
Increase (Decrease) in Liabilities:	
Claims Payable	<u>26,290</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u><u>\$ 577,000</u></u>

See accompanying notes to the basic financial statements.

East Holmes Local School District
Holmes County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2020

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	\$ 46,268
Liabilities	
Accounts Payable	\$ 523
Undistributed Monies	1,050
Due to Students	44,695
<i>Total Liabilities</i>	<u>\$ 46,268</u>

See accompanying notes to the basic financial statements.

East Holmes Local School District
Holmes County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The East Holmes Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. East Holmes Local School District is a Local School District as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the School District.

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For East Holmes Local School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and 1) the School District is able to significantly influence the programs or services performed or provided by the organization; or 2) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District is involved with the Tri-County Computer Service Association (TCCSA) and Buckeye Career Center, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 15.

Management believes the financial statements included in the report represent all of the funds of the School District over which the School District has the ability to exercise direct operating control.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

East Holmes Local School District
Holmes County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses.

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The School District used funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the School District’s major governmental fund:

General Fund The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided if it expended or transferred according to general laws of Ohio.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

East Holmes Local School District
Holmes County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Proprietary Fund Types Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical benefits.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are agency funds. The School District's agency funds account for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

East Holmes Local School District
Holmes County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 9.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, grants

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and entitlements and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12).

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control established by the Board of Education is at the fund level for all funds. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Holmes County Budget Commission for rate determination.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2020.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

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F. Cash and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and investments."

During fiscal year 2020, the School District invested in STAR Ohio, commercial paper, a money market, federal agency securities, and negotiable certificate of deposits. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$499,690, which includes \$113,703 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash and investments. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

G. Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School District's capitalization threshold is \$2,500 for its general capital assets. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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All capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land Improvements	5 - 50 years
Buildings and Building Improvements	8 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	7 - 10 years

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

For governmental funds, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirement. These amounts are reported in the account "matured compensated absences payable" in the funds from which the employees will be paid. The non-current portion of the liability is not reported.

I. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to pension/OPEB, and pension/OPEB expense; information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements; and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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K. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2020, there was no net position restricted by enabling legislation.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

L. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of the constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category include amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The School District applies restricted resources first when expenditures are incurred for purpose for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the funds. All revenues and expenses not meeting these definitions are reported as non-operating.

N. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. Extraordinary and Special Items

Extraordinary and special items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2020.

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P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2020, the School District implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

For the fiscal year ended June 30, 2020, the School District also implemented paragraphs 4 and 5 of Governmental Accounting Standards Board Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Paragraph 4 increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a government board typically would perform and paragraph 5 mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. The implementation of paragraphs 4 and 5 of this Statement did not have an effect on the financial statements of the School District.

For the fiscal year ended June 30, 2020, the School District has early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and GASB Statement No. 92 *Omnibus 2020*.

GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the School District.

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GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the School District.

NOTE 3: BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. Accordingly, the “Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual” is presented for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget and demonstrate compliance with the state statute. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles are that:

1. Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis)
2. Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (GAAP basis).
4. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund.

Net Change in Fund Balance

	General
GAAP Basis	\$ 2,220,226
Net Adjustment for Revenue Accruals	(522,358)
Net Adjustment for Expenditure Accruals	173,138
Funds Budgeted Elsewhere**	(12,110)
Adjustment for Encumbrances	(270,319)
Budget Basis	\$ 1,588,577

**As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies and public school support funds.

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NOTE 4: DEPOSITS AND INVESTMENTS

State statute classifies monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies are public deposits that the School District's Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

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5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, in an amount not to exceed 40 percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits - At year-end, \$7,401,850 of the School District's bank balance of \$8,131,325 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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Investments

As of June 30, 2020, the School District had the following investments:

Rating	Investment Type	Measurement Amount	Maturity			Percent of Total
			Less than 1 Year	1 to 3 Years	More than 3 Years	
Net Asset Value (NAV):						
AAAm	STAR Ohio	\$ 16,198	\$ 16,198	\$ 0	\$ 0	0.17%
Aaa-mf	Money Market	63,846	63,846	0	0	0.69%
Fair Value:						
P-1	Commercial Paper	1,349,067	1,349,067	0	0	14.52%
Aaa	Federal Farm Credit Bank	1,088,264	0	0	1,088,264	11.72%
Aaa	Federal Home Loan Bank	729,276	0	0	729,276	7.85%
Aaa	Federal Home Loan Mortgage Corporation	170,010	0	170,010	0	1.83%
Aaa	Federal National Mortgage Association	258,656	0	0	258,656	2.79%
N/A	Negotiable Certificates of Deposit	5,611,655	498,740	2,982,352	2,130,563	60.43%
Total		\$ 9,286,972	\$ 1,927,851	\$ 3,152,362	\$ 4,206,759	100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2020. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

Interest Rate Risk The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio to maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2020, is 42 days.

Credit Risk The School District's investments at June 30, 2020 are rated as shown above by Moody's and S&P Global Rating. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer.

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NOTE 5: CAPITAL ASSETS AND ACCUMULATED DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance 06/30/2019	Additions	Deletions	Balance 6/30/2020
Governmental Activities				
<i>Capital Assets not being depreciated</i>				
Land	\$ 1,067,816	\$ 0	\$ 0	\$ 1,067,816
<i>Total Capital Assets not being depreciated</i>	<u>1,067,816</u>	<u>0</u>	<u>0</u>	<u>1,067,816</u>
<i>Capital Assets being depreciated</i>				
Land Improvements	1,780,919	0	0	1,780,919
Buildings and Building Improvements	17,071,572	6,559	(11,838)	17,066,293
Furniture, Fixtures and Equipment	1,993,330	171,418	(44,413)	2,120,335
Vehicles	1,668,466	143,777	(122,374)	1,689,869
<i>Total Capital Assets being depreciated</i>	<u>22,514,287</u>	<u>321,754</u>	<u>(178,625)</u>	<u>22,657,416</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,165,036)	(75,411)	0	(1,240,447)
Buildings and Building Improvements	(11,267,533)	(381,775)	0	(11,649,308)
Furniture, Fixtures and Equipment	(1,662,524)	(64,994)	44,413	(1,683,105)
Vehicles	(1,327,742)	(74,850)	119,874	(1,282,718)
<i>Total Accumulated Depreciation</i>	<u>(15,422,835)</u>	<u>(597,030) *</u>	<u>164,287</u>	<u>(15,855,578)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>7,091,452</u>	<u>(275,276)</u>	<u>(14,338)</u>	<u>6,801,838</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 8,159,268</u>	<u>\$ (275,276)</u>	<u>\$ (14,338)</u>	<u>\$ 7,869,654</u>

*Depreciation expense was charged to governmental functions as follows:

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Instruction:	
Regular	\$ 241,664
Special	3,084
Vocational	1,526
Support Services:	
Instructional Staff	13,196
Administration	1,397
Operation and Maintenance of Plant	108,141
Pupil Transportation	71,906
Operation of Non-Instructional Services:	
Food Service Operations	2,717
Extracurricular Activities	153,399
Total Depreciation Expense	<u>\$ 597,030</u>

NOTE 6: RECEIVABLES

Receivables at June 30, 2020, consisted of accounts, interfund, taxes, and intergovernmental. All receivables are considered collectible in full due to the ability for foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

NOTE 7: LONG-TERM OBLIGATIONS

	Outstanding Balance <u>06/30/2019</u>	Additions	Reductions	Outstanding Balance <u>06/30/2020</u>	Amount Due in One Year
General Obligation Bonds					
2007 Refunding Bonds	\$ 475,000	\$ 0	\$ (230,000)	\$ 245,000	\$ 245,000
Premium	18,781	0	(18,781)	0	0
<i>Total General Obligation Bonds</i>	<u>493,781</u>	<u>0</u>	<u>(248,781)</u>	<u>245,000</u>	<u>245,000</u>
Net Pension/OPEB Liability:					
Pension	20,856,866	0	(577,140)	20,279,726	0
OPEB	2,123,684	0	(271,247)	1,852,437	0
<i>Total Net Pension/OPEB Liability</i>	<u>22,980,550</u>	<u>0</u>	<u>(848,387)</u>	<u>22,132,163</u>	<u>0</u>
Compensated Absences	1,414,369	169,923	(185,324)	1,398,968	64,276
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$ 24,888,700</u>	<u>\$ 169,923</u>	<u>\$ (1,282,492)</u>	<u>\$ 23,776,131</u>	<u>\$ 309,276</u>

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Compensated absences will be paid from the general fund and the food service fund. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 11 and 12.

In March, 2007, the School District issued \$1,940,000 of general obligation bonds to refund the 2000 school improvement general obligation bonds. The bonds were issued for a 14 year period with final maturity at December 1, 2020 with an interest rate of 4.0 percent. These refunding bonds were issued with a premium of \$262,935 which is reported as an increase to bonds payable. The premium is being amortized to interest expense over the life of the bonds, using the straight-line method. The issuance costs of \$68,819 were expensed. The refunding resulted in a difference, reported in the accompanying financial statements as a deferred outflow of resources and is being amortized to interest expense over the life of the bonds using the straight-line method. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and cash flows required to service the new debt of \$205,366. The issuance resulted in an economic gain of \$85,993. As a result, \$1,280,000 of the bonds are considered defeased.

The annual requirements to amortize all bonds outstanding as of June 30, 2020, are as follows:

	<u>2007 Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2021	<u>\$ 245,000</u>	<u>\$ 4,900</u>

NOTE 8: OPERATING LEASES

The School District leases photocopier machines under a non-cancelable lease. The School District disbursed \$46,872 to pay lease costs for the fiscal year ended June 30, 2020. Future lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
<u>Ending June 30,</u>	
2021	\$ 46,872
2022	46,872
2023	40,067
2024	1,512
	<u>\$ 135,323</u>

NOTE 9: PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are

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established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019 and are collected in 2020 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Holmes County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2020, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources.

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 537,099,910	97%	\$ 617,855,230	97%
Public Utility Personal Property	15,731,520	3%	18,355,960	3%
Total	<u>\$ 552,831,430</u>	<u>100%</u>	<u>\$ 636,211,190</u>	<u>100%</u>
Full Tax Rate Per \$1,000 of assessed valuation	<u>\$ 24.98</u>		<u>\$ 24.41</u>	

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NOTE 10: RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with Liberty Mutual. The deductible is \$2,500 per incident on property and \$2,500 per incident on equipment. All vehicles are insured by Liberty Mutual and have a \$100 deductible on comprehensive claims and \$500 deductible for collisions. All board members, administrators and employees are covered under a school district liability policy with Liberty Mutual. The limits of this coverage are \$1,000,000 per occurrence and \$3,000,000 per aggregate. The Treasurer is covered under a surety bond in the amount of \$50,000. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from the prior year.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The School District is a member of the Ohio School Board Association Group Rating System. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

The School District maintains a health insurance plan for its employees. The monthly insurance premiums are paid to the Plan Administrator, Aultcare Corporation, and recorded as an expense on the School District's books. The School District accounts for this activity in an Internal Service Fund. The plan includes stop loss coverage with a limit of \$160,000 per individual. Aggregate coverage has been eliminated from the plan.

The claims liability of \$106,960 reported in the fund at June 30, 2020, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2019	\$ 293,529	\$ 1,379,673	\$ 1,592,532	\$ 80,670
2020	80,670	1,342,876	1,316,586	106,960

NOTE 11: DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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The net pension/OPEB liability (asset) represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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	Eligible to Retire before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2020.

The School District’s contractually required contribution to SERS was \$353,020 for fiscal year 2020. Of this amount, \$30,994 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

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The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$1,259,719 for fiscal year 2020. Of this amount, \$208,383 is reported as an intergovernmental payable.

Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the employer’s share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.07212350%	0.07219030%	
Prior Measurement Date	<u>0.07502740%</u>	<u>0.07531423%</u>	
Change in Proportionate Share	<u>-0.00290390%</u>	<u>-0.00312393%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 4,315,275	\$ 15,964,451	\$ 20,279,726
Pension Expense	\$ 510,945	\$ 2,048,758	\$ 2,559,703

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District’s proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2020 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and			
Actual Experience	\$ 109,426	\$ 129,978	\$ 239,404
Changes of Assumptions	0	1,875,334	1,875,334
Changes in Proportion and Differences between			
School District Contributions and Proportionate			
Share of Contributions	0	51,120	51,120
School District Contributions Subsequent to the			
Measurement Date	353,020	1,259,719	1,612,739
Total Deferred Outflows of Resources	\$ 462,446	\$ 3,316,151	\$ 3,778,597
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ 0	\$ 69,108	\$ 69,108
Net Difference between Projected and			
Actual Earnings on Pension Plan Investments	55,392	780,256	835,648
Changes in Proportion and Differences between			
School District Contributions and Proportionate			
Share of Contributions	165,192	1,175,846	1,341,038
Total Deferred Inflows of Resources	\$ 220,584	\$ 2,025,210	\$ 2,245,794

\$1,612,739 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ (11,969)	\$ 649,367	\$ 637,398
2022	(126,916)	(197,795)	(324,711)
2023	(3,686)	(388,381)	(392,067)
2024	31,413	(31,969)	(556)
	\$ (111,158)	\$ 31,222	\$ (79,936)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2035.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net Pension Liability	\$ 6,047,244	\$ 4,315,275	\$ 2,862,803

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the July 1, 2019 valuation, were based on the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate. The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the School District's proportionate share of the net pension liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

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	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 23,330,265	\$ 15,964,451	\$ 9,728,910

NOTE 12: DEFINED BENEFIT OPEB PLANS

See Note 11 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$49,197, which is reported as an intergovernmental payable.

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Notes to the Basic Financial Statements
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Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.07366200%	0.07219000%	
Prior Measurement Date	0.07654900%	0.07531400%	
Change in Proportionate Share	-0.00288700%	-0.00312400%	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 1,852,437	\$ (1,195,640)	
OPEB Expense	\$ 35,376	\$ (356,051)	\$ (320,675)

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 27,193	\$ 108,395	\$ 135,588
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	4,447	0	4,447
Changes of Assumptions	135,300	25,132	160,432
School District Contributions Subsequent to the Measurement Date	49,197	0	49,197
Total Deferred Outflows of Resources	\$ 216,137	\$ 133,527	\$ 349,664
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 406,969	\$ 60,831	\$ 467,800
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	0	75,093	75,093
Changes of Assumptions	103,805	1,310,880	1,414,685
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	149,209	246,179	395,388
Total Deferred Inflows of Resources	\$ 659,983	\$ 1,692,983	\$ 2,352,966

\$49,197 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ (146,751)	\$ (336,612)	\$ (483,363)
2022	(82,267)	(336,611)	(418,878)
2023	(80,959)	(306,515)	(387,474)
2024	(81,173)	(295,955)	(377,128)
2025	(71,408)	(275,453)	(346,861)
Thereafter	(30,485)	(8,310)	(38,795)
	\$ (493,043)	\$ (1,559,456)	\$ (2,052,499)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate	
Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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For the Fiscal Year Ended June 30, 2020

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate).

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 2,248,516	\$ 1,852,437	\$ 1,537,521
		Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 1,484,183	\$ 1,852,437	\$ 2,341,038

East Holmes Local School District
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For the Fiscal Year Ended June 30, 2020

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 percent	4.00 percent

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the June 30, 2019 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

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*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB asset was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB asset as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2019, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,020,240)	\$ (1,195,640)	\$ (1,343,109)
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,355,800)	\$ (1,195,640)	\$ (999,481)

NOTE 13: CONTINGENCIES AND SIGNIFICANT COMMITMENTS

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2020, if applicable, cannot be determined at this time.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of the basic financial statements.

C. Other Commitments

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At fiscal year end, the School District’s commitments for encumbrances in the governmental funds were as follows:

Fund	Amount
General Fund	\$ 259,207
Other Governmental	86,303
Total Governmental Funds	\$ 345,510

D. School District Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2020 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2020 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

NOTE 14: SET-ASIDES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

The following cash basis information describes the changes in the year-end set-aside amounts for capital acquisitions. Disclosure of this information is required by State statute.

	Capital Acquisition
Set-Aside Restricted Balance as of June 30, 2019	\$ 0
Current Year Set-Aside Requirement	297,255
Current Year Offsets	(460,498)
Totals	\$ (163,243)
Balance Carried Forward to Fiscal Year 2021	\$ 0
Set-Aside Restricted Balance as of June 30, 2020	\$ 0

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Although the School District had offsets during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years.

NOTE 15: JOINTLY GOVERNED ORGANIZATIONS

A. Tri-County Computer Service Association (TCCSA)

TCCSA is a jointly governed organization comprised of 28 school districts, created as a regional council of governments pursuant to State statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member School Districts. Each of the governments of these School District support TCCSA based on a per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating School District and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee and at least an assembly member from each county from which participating school districts are located. During fiscal year 2020, the School District paid \$53,733 in administrative fees to TCCSA.

B. Buckeye Career Center (Career Center)

The Career Center, a joint vocational school established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its eleven-member school districts. The Career Center is governed by a board of education comprised of eleven members appointed by the participating schools. The Board controls the financial activity of the Career center and reports to the Ohio Department of Education and the Auditor of the State of Ohio. The continued existence of the Career Center is not dependent on the School District's continued participation and measurable equity interest exists. During fiscal year 2020, no monies were paid to the Career Center by the School District.

NOTE 16: INTERFUND ACTIVITY

As of June 30, 2020, the general fund advanced \$21,918 to the Title II-A fund resulting in an interfund receivable/payable. The primary purpose of the interfund receivable/payable is to cover costs in specific funds where revenues were not received by June 30. These balances will be repaid once the anticipated revenues are received, which is expected to be within the next fiscal year.

During the fiscal year the School District transferred \$27,000 from the general fund to the food service fund to assist with operations of the funds.

NOTE 17: FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental fund.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

East Holmes Local School District
Holmes County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

	General	Other Governmental Funds	Total
Nonspendable for:			
Prepaid Items	\$ 15,393	\$ 0	\$ 15,393
Restricted for:			
Debt Service	0	251,312	251,312
Capital Outlay	0	1,016,597	1,016,597
Student Activities	0	509,739	509,739
Grant Programs	0	7,237	7,237
Other Purposes	0	7,123	7,123
Total Restricted	0	1,792,008	1,792,008
Assigned for:			
Encumbrances:			
Instruction	57,584	0	57,584
Support Services	201,623	0	201,623
Subsequent Year Appropriations	21,000	0	21,000
Total Assigned	280,207	0	280,207
Unassigned	12,469,537	(67,807) *	12,401,730
<i>Total Fund Balance</i>	<i>\$ 12,765,137</i>	<i>\$ 1,724,201</i>	<i>\$ 14,489,338</i>

*Unassigned fund balance due to deficit fund balances in the following funds:

Nonmajor Governmental Fund	Deficit
Food Service	\$ 62,201
Title VI-B Grant	1,987
Title III - Grant	129
Title I - Grant	3,490
	<u>\$ 67,807</u>

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 18: SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures has impacted the current period and will continue to impact subsequent periods of the School District. Due to the dynamic environment and change in fiscal policies, the exact impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

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East Holmes Local School District
Holmes County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Seven Fiscal Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>School Employees Retirement System (SERS)</i>				
School District's Proportion of the Net Pension Liability	0.07212350%	0.07502740%	0.07866100%	0.08101950%
School District's Proportionate Share of the Net Pension Liability	\$ 4,315,275	\$ 4,296,958	\$ 4,699,821	\$ 5,929,880
School District's Covered Payroll	\$ 2,475,119	\$ 2,510,585	\$ 2,566,036	\$ 3,104,657
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	174.35%	171.15%	183.15%	191.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%
<i>State Teachers Retirement System (STRS)</i>				
School District's Proportion of the Net Pension Liability	0.07219030%	0.07531423%	0.07934782%	0.08117806%
School District's Proportionate Share of the Net Pension Liability	\$ 15,964,451	\$ 16,559,908	\$ 18,849,245	\$ 27,172,744
School District's Covered Payroll	\$ 8,271,707	\$ 8,622,414	\$ 8,735,036	\$ 8,787,200
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	193.00%	192.06%	215.79%	309.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.31%	75.30%	66.80%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

2016	2015	2014
0.08048580%	0.08281700%	0.08281700%
\$ 4,592,598	\$ 4,191,321	\$ 4,924,861
\$ 2,968,809	\$ 3,070,945	\$ 2,009,971
154.69%	136.48%	245.02%
69.16%	71.70%	65.52%
0.08039823%	0.07795909%	0.07795909%
\$ 22,219,719	\$ 18,962,349	\$ 22,587,826
\$ 8,532,679	\$ 7,908,969	\$ 7,682,277
260.41%	239.76%	294.03%
72.10%	74.70%	69.30%

See accompanying notes to the required supplementary information.

East Holmes Local School District
Holmes County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - Pension
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution	\$ 353,020	\$ 334,141	\$ 338,929	\$ 359,245
Contributions in Relation to the Contractually Required Contribution	<u>(353,020)</u>	<u>(334,141)</u>	<u>(338,929)</u>	<u>(359,245)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 2,614,963	\$ 2,475,119	\$ 2,510,585	\$ 2,566,036
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.50%	13.50%	14.00%
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 1,259,719	\$ 1,158,039	\$ 1,207,138	\$ 1,222,905
Contributions in Relation to the Contractually Required Contribution	<u>(1,259,719)</u>	<u>(1,158,039)</u>	<u>(1,207,138)</u>	<u>(1,222,905)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 8,997,993	\$ 8,271,707	\$ 8,622,414	\$ 8,735,036
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 434,652	\$ 391,289	\$ 425,633	\$ 278,180	\$ 328,334	\$ 350,261
<u>(434,652)</u>	<u>(391,289)</u>	<u>(425,633)</u>	<u>(278,180)</u>	<u>(328,334)</u>	<u>(350,261)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 3,104,657	\$ 2,968,809	\$ 3,070,945	\$ 2,009,971	\$ 2,441,145	\$ 2,786,484
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
\$ 1,230,208	\$ 1,194,575	\$ 1,028,166	\$ 998,696	\$ 1,061,314	\$ 1,115,814
<u>(1,230,208)</u>	<u>(1,194,575)</u>	<u>(1,028,166)</u>	<u>(998,696)</u>	<u>(1,061,314)</u>	<u>(1,115,814)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 8,787,200	\$ 8,532,679	\$ 7,908,969	\$ 7,682,277	\$ 8,163,954	\$ 8,583,185
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

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East Holmes Local School District
Holmes County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
Last Four Fiscal Years (1)

	2020	2019	2018	2017
<i>School Employees Retirement System (SERS)</i>				
School District's Proportion of the Net OPEB Liability	0.07366200%	0.07654900%	0.07975520%	0.08216167%
School District's Proportionate Share of the Net OPEB Liability	\$ 1,852,437	\$ 2,123,684	\$ 2,140,420	\$ 2,341,911
School District's Covered Payroll	\$ 2,475,119	\$ 2,510,585	\$ 2,566,036	\$ 3,104,657
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	74.84%	84.59%	83.41%	75.43%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%
<i>State Teachers Retirement System (STRS)</i>				
School District's Proportion of the Net OPEB (Asset)/Liability	0.07219000%	0.07531400%	0.07934782%	0.08117806%
School District's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (1,195,640)	\$ (1,210,223)	\$ 3,095,859	\$ 4,341,424
School District's Covered Payroll	\$ 8,271,707	\$ 8,622,414	\$ 8,735,036	\$ 8,787,200
School District's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	-14.45%	-14.04%	35.44%	49.41%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

East Holmes Local School District
Holmes County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - OPEB
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution (1)	\$ 49,197	\$ 56,162	\$ 55,836	\$ 43,156
Contributions in Relation to the Contractually Required Contribution	<u>(49,197)</u>	<u>(56,162)</u>	<u>(55,836)</u>	<u>(43,156)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 2,614,963	\$ 2,475,119	\$ 2,510,585	\$ 2,566,036
OPEB Contributions as a Percentage of Covered Payroll (1)	1.88%	2.27%	2.22%	1.68%
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 8,997,993	\$ 8,271,707	\$ 8,622,414	\$ 8,735,036
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 41,820	\$ 67,039	\$ 46,378	\$ 41,594	\$ 13,426	\$ 59,288
<u>(41,820)</u>	<u>(67,039)</u>	<u>(46,378)</u>	<u>(41,594)</u>	<u>(13,426)</u>	<u>(59,288)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 3,104,657	\$ 2,968,809	\$ 3,070,945	\$ 2,009,971	\$ 2,441,145	\$ 2,786,484
1.35%	2.26%	1.51%	2.07%	0.55%	2.13%
\$ 0	\$ 0	\$ 79,090	\$ 76,823	\$ 81,640	\$ 85,832
<u>0</u>	<u>0</u>	<u>(79,090)</u>	<u>(76,823)</u>	<u>(81,640)</u>	<u>(85,832)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 8,787,200	\$ 8,532,679	\$ 7,908,969	\$ 7,682,277	\$ 8,163,954	\$ 8,583,185
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

East Holmes Local School District
Holmes County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3.0 percent was used.

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in Assumptions – STRS

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - SERS

With the authority granted to the Board under SB 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in Benefit Terms - STRS

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

East Holmes Local School District
Holmes County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Note 2 - Net OPEB Liability (Asset)

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:

Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Pre-Medicare

Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

Medicare

Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

Changes in Assumptions – STRS

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

East Holmes Local School District
Holmes County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Changes in Benefit Terms – STRS

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. This was subsequently extended, see above paragraph.

November 10, 2020

To the Board of Education
East Holmes Local School District
Holmes County, Ohio
6108 CR 77
Millersburg, OH 44654

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Holmes Local School District, Holmes County, Ohio (the “School District”) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated November 10, 2020, in which we noted the financial impact of COVID-19 and the ensuing emergency measures will continue to impact subsequent periods of the School District.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Millersburg, Ohio

November 10, 2020

To the Board of Education
East Holmes Local School District
Holmes County, Ohio
6108 CR 77
Millersburg, OH 44654

**Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance Required by the Uniform Guidance**

Report on Compliance for Each Major Federal Program

We have audited the East Holmes Local School District's, Holmes County, Ohio (the "School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2020. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hea & Associates, Inc.

Millersburg, Ohio

East Holmes Local School District
Holmes County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Federal Disbursements	Passed Through to Subrecipients
U. S. Department of Education				
(Passed Through Ohio Department of Education):				
Title I	84.010	2019	\$ 139,113	\$ 0
Title I	84.010	2020	668,108	0
Total Title I			807,221	0
<i>Special Education Cluster:</i>				
IDEA-B	84.027	2019	60,587	0
IDEA-B	84.027	2020	307,856	0
Total IDEA-B			368,443	0
<i>Total Special Education Cluster</i>			368,443	0
Title III	84.365	2019	8,430	0
Title III	84.365	2020	48,711	0
Total Title III			57,141	0
Title II-A	84.367	2019	14,257	0
Title II-A	84.367	2020	89,134	0
Total Title II-A			103,391	0
Title IV-A	84.424A	2019	10,069	0
Title IV-A	84.424A	2020	49,814	0
Total Title IV-A			59,883	0
Total U.S. Department of Education			1,396,079	0
U. S. Department of Agriculture				
(Passed Through Ohio Department of Education):				
<i>Child Nutrition Cluster:</i>				
Non-Cash Assistance:				
School Breakfast Program	10.553	2020	11,262	0
National School Lunch Program	10.555	2020	46,413	0
<i>Non-Cash Assistance Subtotal:</i>			57,675	0
Cash Assistance:				
School Breakfast Program	10.553	2020	22,298	0
School Breakfast Program (COVID-19)	10.553	2020	20,668	0
National School Lunch Program	10.555	2020	130,647	0
National School Lunch Program (COVID-19)	10.555	2020	46,418	0
<i>Cash Assistance Subtotal:</i>			220,031	0
<i>Total Child Nutrition Cluster</i>			277,706	0
Total U.S. Department of Agriculture			277,706	0
Total Federal Assistance			\$ 1,673,785	\$ 0

See accompanying notes to the Schedule of Expenditures of Federal Awards

East Holmes Local School District
Holmes County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Fiscal Year Ended June 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of East Holmes Local School District (the School District) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Government has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective programs that benefited from the use of those donated food commodities.

East Holmes Local School District
Holmes County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2020

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	None reported
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material control weaknesses in internal control reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies in internal control reported for major federal programs?	None reported
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d) (1) (vii)	Major Programs (list): Title I	CFDA # 84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted

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OHIO AUDITOR OF STATE KEITH FABER



EAST HOLMES LOCAL SCHOOL DISTRICT

HOLMES COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/22/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov